

tual arrangements between the banks for the redemption of each other's notes. It would have involved a manifest injustice, in view of the wide difference in character and strength of the Canadian banks to compel each to redeem the notes of all others against its will, but the banks were ready to accept a mandatory law requiring each bank to establish agencies for the redemption of its own notes at the commercial centre of each province. It was accordingly provided in the Act of 1890 (Section 55) :

The bank shall make such arrangements as are necessary to ensure the circulation at par in any and every part of Canada, of all notes issued or reissued by it and intended for circulation ; and towards this purpose the bank shall establish agencies for the redemption and payment of its notes at the cities of Halifax, St. John, Charlottetown, Montreal, Toronto, Winnipeg, and Victoria, and at such other places as are, from time to time, designated by the Treasury Board.

4. The bank-note circulation of Canada, under the operation of the redemption fund and the complementary requirements, has, in the language of Mr. Breckenridge, ¹¹ acquired a thoroughly national character ; since 1890 it has circulated from one end of the country to the other, never causing loss to the holder, yet keeping unimpaired the qualities for which, in its less perfect state, Canadians had again and again refused to give it up."¹ The fulfilment of these conditions, with the elasticity and sufficiency which usually accompany a banking currency, meet all the requirements of a perfect currency system. The protection of the note-holder against both temporary and permanent loss closes the case in favor of Canadian banks of issue. They may be well or ill managed as banks of discount and deposit, but, as such banks must exist under any currency system, their bad management cannot be made an argument against the power of note issue unless that power increases their power for evil as banks of discount and deposit. Questions, therefore, relating to the management of the Canadian banks in their discounting business, and the number of failures they may have suffered, should not be confused with the question

¹¹ *The Canadian Banking System*,
338. 30